

TOWNSHIP OF WILSON
CHARLEVOIX COUNTY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Wilson Township	County Charlevoix
Fiscal Year End March 31, 2006	Opinion Date August 1, 2006	Date Audit Report Submitted to State September 10, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

SE 2

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

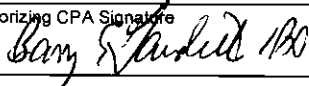
We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 1107 E. Eighth Street		City Traverse City	State MI
Zip 49686		License Number 11050	
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA	

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INTRODUCTORY SECTION

TOWNSHIP OF WILSON
LIST OF ELECTED OFFICIALS
MARCH 31, 2006

ELECTED OFFICIALS

Todd B. Sorenson	Supervisor
Marilyn L. Beebe	Clerk
Kerri J. Reinhardt	Treasurer
Jon V. Jasinski	Trustee
Jeff Argetsinger	Trustee

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Members of the Township Board
Township of Wilson
Charlevoix County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Wilson, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Wilson, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Wilson, Michigan, as of March 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Township of Wilson
Independent Auditors' Report
Page Two

As described in Note V(C), the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, as amended and interpreted, as of March 31, 2006.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

Bary Vandell, CPA

August 1, 2006

BASIC FINANCIAL STATEMENTS

Township of Wilson
Government-Wide Financial Statements
Statement of Net Assets
March 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 3,517
Receivables	100,174
Restricted cash	10,567
Investments	558,517
Due from other funds	444
Capital assets (net of accumulated depreciation):	
Land and improvements	78,931
Buildings and improvements	123,482
Machinery and equipment	<u>5,162</u>
Total assets	<u>880,794</u>
LIABILITIES	
Accounts payable	4,638
Accrued expenses	1,456
Deferred revenues	74,821
Noncurrent liabilities:	
Due within one year	7,000
Due in more than one year	<u>49,000</u>
Total liabilities	<u>136,915</u>
NET ASSETS	
Invested in capital assets, net of related debt	207,575
Restricted	87,165
Unrestricted	<u>449,139</u>
Total net assets	<u>\$ 743,879</u>

See notes to financial statements

Township of Wilson
Government-Wide Financial Statements
Statement of Activities
For the Year Ended March 31, 2006

Functions /Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Legislative General	\$ 34,074	\$	\$	\$
Government	74,964			
Public safety	33,262		957	
Public works	30,296		2,911	
Health & welfare	5,150			
Community/economic development	38,786			
Recreation & culture	4,263			
Other	4,748			
Interest on long-term debt	<u>5,257</u>			<u>7,099</u>
Total governmental activities	<u>\$ 230,800</u>	<u>\$</u>	<u>\$ 3,868</u>	<u>\$ 7,099</u>

General revenues:

Property taxes & administrative fees
Licenses & permits
State revenue sharing
Interest earnings
Miscellaneous
Sale of cemetery lots
Refunds

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

Net (Expense)
Revenue and
Changes in
Net Assets

Governmental
Activities

\$ (34,074)

(74,964)

(32,305)

(27,385)

(5,150)

(38,786)

(4,263)

(4,748)

1,842

(219,833)

174,102

3,320

141,259

9,771

1,405

300

1,367

331,524

111,691

632,188

\$ 743,879

Township of Wilson
Balance Sheet
Governmental Funds
March 31, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Fire & Ambulance</u>	<u>Road</u>
ASSETS				
Cash and cash equivalents	\$ 2,074	\$ 1,443	\$	\$
Receivables		74,821		
Restricted cash	10,567			
Investments	483,362		52,726	22,429
Due from other funds	<u>25,797</u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 521,800</u>	<u>\$ 76,264</u>	<u>\$ 52,726</u>	<u>\$ 22,429</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,638	\$	\$	\$
Accrued expenses	1,456			
Deferred revenues		74,821		
Due to other funds	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>6,094</u>	<u>74,821</u>	<u> </u>	<u> </u>
Fund balances:				
Reserved for:				
Restricted purposes	10,567			
Debt Service Fund		1,443		
Fire & ambulance			52,726	
Road				22,429
Unreserved, reported in:				
General fund	<u>505,139</u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>515,706</u>	<u>1,443</u>	<u>52,726</u>	<u>22,429</u>
Total Liabilities and Fund Balances	<u>\$ 521,800</u>	<u>\$ 76,264</u>	<u>\$ 52,726</u>	<u>\$ 22,429</u>

See notes to financial statements

Other Governmental Funds	Total Governmental Funds
--------------------------------	--------------------------------

\$ 25,353	\$ 3,517
	100,174
	10,567
	558,517
	<u>25,797</u>
<u>\$ 25,353</u>	<u>\$ 698,572</u>

\$	\$ 4,638
	1,456
	74,821
<u>25,353</u>	<u>25,353</u>
<u>25,353</u>	<u>106,268</u>

	10,567
	1,443
	52,726
	22,429
	<u>505,139</u>
	<u>592,304</u>
<u>\$ 25,353</u>	<u>\$ 698,572</u>

Township of Wilson
Reconciliation of the Governmental Funds
Balance Sheet
With the Statement of Net Assets
March 31, 2006

Amounts reported for governmental activities in the
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 592,304
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Capital assets used in governmental activities
are not financial resources and therefore are
not reported as assets in governmental funds:

Cost of capital assets	261,665
Accumulated depreciation	(54,090)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(56,000)</u>
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Total Net Assets - Governmental Activities	<u>\$ 743,879</u>
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See notes to financial statements

Township of Wilson
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended March 31, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Fire & Ambulance</u>	<u>Road</u>
REVENUES				
Tax revenues:				
Taxes & adm. fees	\$ 69,090	\$	\$ 52,506	\$ 52,506
Licenses & permits	3,320			
Intergovernmental revenue from state:				
State revenue sharing	141,259			
Public safety Annual maint. fee	2,911			
Interest earnings	9,725			
Other revenue:				
Miscellaneous	1,405			
Special assessments		7,099		
Sale of cemetery lots	300			
All other refunds	<u>1,367</u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>229,377</u>	<u>7,099</u>	<u>52,506</u>	<u>52,506</u>
EXPENDITURES				
Current:				
Legislative	34,074			
General government	72,979			
Public safety			32,183	
Public works				30,077
Health & welfare			5,150	
Community/economic development	38,786			
Recreation & culture	4,263			
Other	4,748			
Debt service:				
Principal		7,000		
Interest		<u>5,257</u>		
Total expenditures	<u>154,850</u>	<u>12,257</u>	<u>37,333</u>	<u>30,077</u>
Net changes in fund balances	74,527	(5,158)	15,173	22,429
Fund balances - beginning	<u>441,179</u>	<u>81,422</u>	<u>37,553</u>	<u> </u>
Fund balances - ending	<u>\$ 515,706</u>	<u>\$76,264</u>	<u>\$ 52,726</u>	<u>\$ 22,429</u>

See notes to financial statements

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	\$ 174,102
	3,320
	141,259
957	957
	2,911
46	9,771
	1,405
	7,099
	300
	<u>1,367</u>
<u>1,003</u>	<u>342,491</u>
	34,074
	72,979
1,079	33,262
219	30,296
	5,150
	38,786
	4,263
	4,748
	7,000
	<u>5,257</u>
<u>1,298</u>	<u>235,815</u>
(295)	106,676
<u>295</u>	<u>560,449</u>
<u>\$</u>	<u>\$ 667,125</u>

Township of Wilson
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended March 31, 2006

Amounts reported for governmental activities in the
statement of activities are different because:

Total net change in fund balances - total governmental funds	\$ 106,676
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The depreciation in the current period exceeded capital outlays.	(1,985)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long- term debt and related items.	<u>7,000</u>
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Change in net assets of governmental activities	<u>\$ 111,691</u>
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See notes to financial statements

Township of Wilson
Statement of Fiduciary Funds
Fiduciary Funds
March 31, 2006

	<u>Tax Collection Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>444</u>
Total assets	<u>444</u>
LIABILITIES	
Due to other funds	<u>444</u>
NET ASSETS	
Held in trust for other purposes	<u><u>\$</u></u>

See notes to financial statements

Township of Wilson
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended March 31, 2006

	<u>Tax Collection Fund</u>
ADDITIONS	
Property tax collections, special assessments and fees	\$1,372,140
Total additions	<u>1,372,140</u>
DEDUCTIONS	
Payments to general fund	88,209
Payments to fire and ambulance fund	52,506
Payments to road fund	52,506
Payments to other governmental units	<u>1,178,919</u>
Total deductions	<u>1,372,140</u>
Changes in net assets	
Net assets - beginning	<u> </u>
Net assets - ending	<u><u>\$ </u></u>

See notes to financial statements

Township of Wilson
Notes to the Financial Statements
March 31, 2006

I. Summary of significant accounting policies

The financial statements of the Township of Wilson (the Township) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

A. Reporting entity

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

B. Government-wide financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Charlevoix County, which advances the Township 100% for the delinquent taxes.

The 2005 taxable valuation of the Township totaled \$53,532,370, on which ad valorem taxes levied consisted of .9814 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees of \$11,842 to collect the taxes and applicable interest.

The Township also has a tax levy for fire & ambulance and roads of .9814 mills, respectively.

The Township reports the following major governmental funds:

The *general fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *fire & ambulance and road funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The Township reports the following nonmajor governmental funds:

The *LCC and SAD revolving funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The Township reports the following fiduciary fund:

The *current tax collection fund* is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The Township did not have any proprietary funds.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term interfund receivables/payable

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet in the governmental fund financial statements.

3. Receivables and payables

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

4. Restricted assets

In accordance with Act 451, the Township has entered into an agreement to assume responsibility for the operation and maintenance of a privately owned public sewer system, if the owners' association should fail to do so. Cash totaling \$10,567 has been restricted for this purpose.

5. Capital assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Township is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	40
Machinery and equipment	5

6. Compensated absences

The Township does not have a compensated absence policy.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

8. Fund equity

In the fund financial statements, governmental funds report the reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Comparative data/reclassifications

If the Township had an individual enterprise fund, comparative total data for the prior year would have been presented only in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

II. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a proposed budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally adopted by the Township Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The Supervisor is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has not been amended. Supplemental appropriations were made during the year with the last one approved prior to April 1st.

B. Excess of expenditures over appropriations

For the year ended March 31, 2006, expenditures exceeded appropriations in the activities of the payroll expense and workmen's compensation (the legal level of budgetary control) of the general fund by \$3,868 and \$880, respectively. These overexpenditures were funded by the available fund balance in the general fund.

III. Detailed notes on all funds

A. Deposits, investments and credit risk

Deposits

At year-end, the carrying amount of the Township's deposits were \$14,528 (includes \$444 in the Tax Collection Fund) and the bank balance was \$14,528, of which \$14,528 was covered by federal depository insurance.

Investments

The Township had the following investments at Charlevoix State Bank as of March 31, 2006:

Money market account (#0067005360)	<u>\$ 558,517</u>
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Interest Rate Risk - The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The Township's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Township shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Township shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Township held in trust by the financial institution or bank. The Township may choose collateralization in the following form and percentages:

- | | | |
|----|----------------------------------|------------|
| 1. | U.S. Treasury Notes | - 100%; or |
| 2. | U.S. Treasury Notes and/or Bonds | - 75% and |
| 3. | Mortgage Backed Securities | - 25% |

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the following collateralization at a minimum once every quarter to the Township.

The Township has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The Township places no limit on the amount the Township may invest in any one issuer.

A reconciliation of cash as shown on the statements of net assets follows:

Carrying amount of deposits	<u>\$ 572,601</u>
Cash and cash equivalents:	
General fund	\$ 496,003
Debt service fund	1,443
Fire & ambulance fund	52,726
Road fund	22,429
Checks written in excess of deposits	(-)
Total	<u>\$ 572,601</u>

B. Receivables

The Township is owed delinquent property taxes from the County of Charlevoix in the amount of \$6,236 each, for operating purposes, fire & ambulance, and roads, respectively.

The Township has a receivable for the collection of special assessment taxes to pay for bonds in the amount of \$74,821, in the debt retirement fund.

Also, the Township has a receivable of \$25,353 for the collection of special assessments taxes to cover the costs of the SAD II in the SAD revolving fund.

C. Capital assets

Capital asset activity for the year ended March 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land & improvements	\$ 78,931	\$	\$	\$ 78,931
Capital assets, being depreciated:				
Buildings & improvements:				
Township hall	148,000			148,000
Hall improvements		5,526		5,526
Pavilion	7,000			7,000
Gazebo	5,000			5,000
Machinery & equipment:				
Office	17,208			17,208
Total capital assets being depreciated	177,208	5,526		182,734
Less accumulated depreciation for:				
Buildings & improvements:				
Township hall	(37,000)	(3,700)		(40,700)
Hall improvements		(69)		(69)
Pavilion	(350)	(175)		(525)
Gazebo	(625)	(125)		(750)
Machinery & equipment:				
Office	(8,604)	(3,442)		(12,046)
Total accumulated depreciation	(46,579)	(7,511)		(54,090)
Total capital assets, being depreciated, net	130,629	(1,985)		128,644
Governmental activities capital assets, net	\$ 209,560	\$ (1,985)	\$	\$ 207,575

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 7,511

Total depreciation expense-
governmental activities \$ 7,511

D. Interfund receivables, payables, and transfers

There were no operating transfers between funds during the fiscal year ended March 31, 2006.

The composition of interfund balances as of March 31, 2006, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Tax collection	<u>\$ 444</u>

E. Long-term debt

Bonds Payable

Special assessment bonds and related interest costs are payable solely from assessments and interest collected from the property owners who benefit from respective improvements. The Township has no liability for payment of the bonds should the assessments be insufficient to cover bond principal and interest; however, due to the Township's oversight relationship with the Special Assessment District's, they are included in the Township's reporting entity as bonds payable.

The bond payments are made to LaSalle Bank. The maturity date is April 1, 2014 with an interest rate of 7.375%. The payments are made semi-annually on April 1st and October 1st of each year.

Specific detail and requirements of each Bond Issue are as follows:

Name of Issue Special Assessment Bond, 1999

Date of Issue February 2, 1999

Reason For the construction of sewer line improvements

Amount of Issue \$ 99,000.00

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	7.375%	<u>\$ 56,000</u>

Annual debt service requirements to maturity for general obligation notes are as follows:

Year Ending March 31	Special Assessment District	
	Principal	Interest
2007	\$ 7,000	\$ 4,130
2008	7,000	3,614
2009	7,000	3,098
2010	7,000	2,581
2011	7,000	2,065
Years beyond	<u>21,000</u>	<u>4,016</u>
Total	<u>\$ 56,000</u>	<u>\$ 19,504</u>

Changes in long-term liabilities

Long-term liability activity for the year ended March 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:				
Bonds payable:				
Special Assessment District	<u>\$ 63,000</u>	<u>\$ (7,000)</u>	<u>\$ 56,000</u>	<u>\$ 7,000</u>

There were no additions to loans during the current fiscal year.

V. Other information

A. Risk management

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation).

The Township has purchased commercial insurance for all risks of loss. Settlements claims have not exceeded coverages for each of the past three fiscal years.

B. Pension plan

The Township does not provide a pension plan for its employees.

C. Implementation of new accounting standard

As of and for the year ended March 31, 2006, the Township implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

VI. Commitments

Road Construction

The Township Board approved at a special meeting on May 22, 2006, to award the Tomkins Road improvement contract to a contractor for \$185,590.24.

Legal Matters

The Township Board approved at a special meeting on May 22, 2006, to accept a lump-sum payment offer totaling \$55,000 as settlement for a claim against a former employee.

Required Supplementary Information

Township of Wilson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
-Budget and Actual
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Tax revenues:				
Property taxes and related fees	\$ 63,900	\$ 63,900	\$ 69,090	\$ 5,190
Licenses & permits	3,500	3,500	3,320	(180)
Intergovernmental revenue from state:				
State revenue sharing	144,264	144,264	141,259	(3,005)
Annual maintenance fee	6,170	6,170	2,911	(3,259)
Interest earnings	3,500	3,500	9,725	6,225
Other revenue:				
Miscellaneous	700	700	1,405	705
Sale of cemetery lots			300	300
All other refunds	<u>4,000</u>	<u>4,000</u>	<u>1,367</u>	<u>(2,633)</u>
Total revenues	<u>226,034</u>	<u>226,034</u>	<u>229,377</u>	<u>3,343</u>
EXPENDITURES				
Current:				
Legislative:				
Township board	6,300	6,300	5,037	1,263
Office supplies	1,500	1,500	899	601
Legal	4,000	4,000	7,857	(3,857)
Dues & memberships	1,200	1,200	985	215
Telephone	650	650	503	147
Travel	200	200		200
Public notices	6,700	6,700	2,927	3,773
Insurance & bonds	6,000	6,000	4,614	1,386
Education	500	500	207	293
Fall cleanup	8,600	8,600	9,734	(1,134)
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>1,311</u>	<u>(311)</u>
Total legislative	<u>36,650</u>	<u>36,650</u>	<u>34,074</u>	<u>2,576</u>

Township of Wilson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
-Budget and Actual
For the Year Ended March 31, 2006
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES				
(CONTINUED):				
Current:				
General government:				
Supervisor	10,610	10,610	9,580	1,030
Clerk	15,110	15,110	10,634	4,476
Treasurer	21,230	21,230	15,091	6,139
Assessor	21,900	21,900	24,160	(2,260)
Elections	3,800	3,800	1,802	1,998
Township hall	10,450	10,450	8,386	2,064
Other:				
Cemetery	5,000	5,000	1,551	3,449
Board of review	<u>2,800</u>	<u>2,800</u>	<u>1,775</u>	<u>1,025</u>
Total general government	<u>90,900</u>	<u>90,900</u>	<u>72,979</u>	<u>17,921</u>
Community/economic development:				
Community planning & zoning:				
Planning department	32,330	32,330	30,617	1,713
Planning commission	9,700	9,700	6,721	2,979
Zoning board of appeals	<u>7,200</u>	<u>7,200</u>	<u>1,448</u>	<u>5,752</u>
Total community/economic devel.	<u>49,230</u>	<u>49,230</u>	<u>38,786</u>	<u>10,444</u>
Recreation & culture:				
Parks	<u>8,270</u>	<u>8,270</u>	<u>4,263</u>	<u>4,007</u>
Other:				
Payroll expense			3,868	(3,868)
Workmen's comp.			<u>880</u>	<u>(880)</u>
Total other			<u>4,748</u>	<u>(4,748)</u>

Township of Wilson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
-Budget and Actual
For the Year Ended March 31, 2006
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES				
(CONTINUED) :				
Total expenditures	<u>185,050</u>	<u>185,050</u>	<u>154,850</u>	<u>30,200</u>
Net change in fund balances	40,984	40,984	74,527	33,543
Fund balances - beginning	<u>441,179</u>	<u>441,179</u>	<u>441,179</u>	<u> </u>
Fund balances - ending	<u>\$482,163</u>	<u>\$482,163</u>	<u>\$515,706</u>	<u>\$ 33,543</u>

See notes to financial statements

Township of Wilson
Fire & Ambulance Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes	\$ 48,600	\$ 48,600	\$ 52,506	\$ 3,906
Total revenues	<u>48,600</u>	<u>48,600</u>	<u>52,506</u>	<u>3,906</u>
EXPENDITURES				
Public safety:				
Fire	44,330	44,330	32,183	12,147
Health & welfare:				
Ambulance	<u>7,600</u>	<u>7,600</u>	<u>5,150</u>	<u>2,450</u>
Total expenditures	<u>51,930</u>	<u>51,930</u>	<u>37,333</u>	<u>14,597</u>
Net change in fund balances	(3,330)	(3,330)	15,173	18,503
Fund balances- beginning	<u>59,985</u>	<u>59,985</u>	<u>37,553</u>	<u>(22,432)</u>
Fund balances- ending	<u>\$ 56,655</u>	<u>\$ 56,655</u>	<u>\$ 52,726</u>	<u>\$ (3,929)</u>

See notes to financial statements

Township of Wilson
Road Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Property taxes	\$ 48,600	\$ 48,600	\$ 52,506	\$ 3,906
Total revenues	<u>48,600</u>	<u>48,600</u>	<u>52,506</u>	<u>3,906</u>
EXPENDITURES				
Public works:				
Roads	<u>48,600</u>	<u>48,600</u>	<u>30,077</u>	<u>18,523</u>
Total expenditures	<u>48,600</u>	<u>48,600</u>	<u>30,077</u>	<u>18,523</u>
Net change in fund balances			22,429	22,429
Fund balances- beginning	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balances- ending	<u>\$ </u>	<u>\$ </u>	<u>\$ 22,429</u>	<u>\$ 22,429</u>

See notes to financial statements

Township of Wilson
LCC Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Intergovernmental				
revenue from state:				
Public safety:				
Liquor control	\$ 940	\$ 940	\$ 957	\$ 17
Total revenues	940	940	957	17
EXPENDITURES				
Public safety:				
Police	1,090	1,090	1,079	11
Total expenditures	1,090	1,090	1,079	11
Net change in fund				
balances	(150)	(150)	(122)	28
Fund balances-				
beginning	(150)	(150)	122	272
Fund balances-				
ending	<u>\$ (300)</u>	<u>\$ (300)</u>	<u>\$</u>	<u>\$ 300</u>

See notes to financial statements

Township of Wilson
SAD Revolving Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
REVENUES				
Interest earnings	\$	\$	\$ 46	\$ 46
Other revenue:				
Special assessments	<u>9,895</u>	<u>9,895</u>	<u></u>	<u>(9,895)</u>
Total revenues	<u>9,895</u>	<u>9,895</u>	<u>46</u>	<u>(9,849)</u>
EXPENDITURES				
Public works:				
Special assessment districts	<u></u>	<u></u>	<u>219</u>	<u>(219)</u>
Total expenditures	<u></u>	<u></u>	<u>219</u>	<u>(219)</u>
Net change in fund balances	9,895	9,895	(173)	(10,068)
Fund balances- beginning	<u>16,862</u>	<u>16,862</u>	<u>173</u>	<u>(16,689)</u>
Fund balances- ending	<u>\$ 26,757</u>	<u>\$ 26,757</u>	<u>\$</u>	<u>\$(26,757)</u>

See notes to financial statements

COMMENTS AND RECOMMENDATIONS

Members of the Township Board
Township of Wilson
Charlevoix County, Michigan

My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

It was not necessary for me to make any comments or recommendations.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management and the Township Board and should not be used for any other purpose.

Barry E. Gaudette, CPA, P.C.

August 1, 2006